Mortgage Credit Certificate (MCC) Program

* Provides for a Federal tax credit of up to $2,000 per year as long as the home is used as the borrowers principal residence.

* Qualifying requirements the same as for the Mortgage Revenue Bond loan: (1.) be a first-time homebuyer, (2.) meets household income limits and, (3.) purchase price $250,000 or less.

* An MCC is not part of the financing package to purchase a home. It is an incentive for a first time homebuyer to purchase a home.

* Allowable Fees: 1. Issuance Fee of .50% of loan amount; 2. $25 Reservation Fee; 3. Lender may charge up to $150 for administration and processing.

* Eligible types of loans: fixed rate and fully amortizing loans.

* Ineligible to be used with a Mortgage Revenue Bond loan (Bond Loan).

* The maximum amount of MCC credits available each year is $2,000. Unused MCC Tax Credits may be carried forward for 3 years.

* The borrower claims the credit when they file their Form 1040 tax return annually. They must itemize deductions and use Form 8396 “Mortgage Interest Credit” to claim the credit.

* To take immediate advantage of the MCC tax credit, the borrower may go to their employer and adjust their Form W-4 to reflect the anticipated amount of the credit. That will lower the borrowers federal tax withholdings and increase the monthly take home pay.

* “Recapture Tax” may apply if the borrower sells the house within the first nine years. We estimate that about 96% of borrowers will not be subject to “recapture tax”.

* Sample MCC Calculation:

Amount of First Mortgage			$150,000
Interest Rate			x 5.00%
First Year Interest Paid		=	$ 7,500
MCC Tax Rate			x .25%
Amount of Tax Credit		=	$ 1,875
Calendar Months	Divided By		12
Monthly Savings		=	$ 156.25

NOTE: We recommend that borrowers seek the advice of a qualified tax preparer when deciding whether or not to take advantage of the benefits of an MCC.